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BOMAC BATTEN  
LIMITED

1979  
Annual  
Report

# BOMAC BATTEN LIMITED DIRECTORS AND OFFICERS

## DIRECTORS

Reginald A. Batten  
Stephen D. Elliott  
George C. Gardiner  
Douglas R. Keedwell, C.A.  
Ian Q. Leith  
John G. Pozhke  
Wayne J. White

## OFFICERS

John G. Pozhke  
*Chairman of the Board*  
George C. Gardiner  
*President*  
Douglas R. Keedwell, C.A.  
*Vice-President and Secretary*  
William J. Brown  
*Treasurer*  
Charles H. McNellen  
*Honorary Chairman of the Board*

## TRANSFER AGENT AND REGISTRAR

Montreal Trust Company, Toronto

## AUDITORS

Deloitte, Haskins & Sells

## BANKERS

Bank of Montreal  
The Royal Bank of Canada  
Canadian Imperial Bank of Commerce

## SOLICITORS

Roberts & Drabinsky

## HEAD OFFICE

240 Richmond Street West, Toronto, Ontario M5V 1W1

# REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the Company's Consolidated Financial Statements as of December 31, 1979 along with the Auditors' Report to the Shareholders.

With effect August 7, 1979, the controlling common voting shares of the Company were purchased from Mr. C. H. McNellen and Mr. C. E. McNellen by 92417 Canada Limited, a company controlled by Mr. John G. Pozhke, Mr. Ian Q. Leith and Mr. Wayne J. White. Mr. Pozhke was elected Chairman of the Board and Mr. Leith, Mr. White and Mr. Stephen D. Elliott Directors of the Company. At that time, Mr. C. H. McNellen and Mr. C. E. McNellen resigned as Officers of the Company, and as Directors along with Mr. J. Harold Mitchell, Mr. Douglas R. Steadman and Mr. Robert M. Sutherland, Q.C. We should like to record our appreciation for their contribution to the affairs of the Company over the past years.

Consolidated sales for the fiscal year amounted to \$15,132,146, an increase of 16.8% over the previous fiscal year with all divisions and operations of the Company participating in the growth.

Consolidated earnings from operations before income taxes and extraordinary items increased to \$822,525 from \$759,532 for the same period in 1978 and, likewise, this improvement was shared by all operations of the Company. Consolidated earnings after taxes and extraordinary credits amounted to \$653,155 as compared to \$622,053 a year previous.

Earnings per class A share were \$2.44 as

compared to \$2.34 in 1978 and \$1.84 per common share compared to \$1.74.

In view of the improved earnings and working capital of the Company, the Board of Directors during the year approved the payment of three additional dividends on the class A shares, as well as the regular quarterly dividends on both the class A and preferred shares, reducing from four cumulative dividends in arrears on the class A shares as of December 31, 1978 to one cumulative dividend in arrears on the class A shares as of December 31, 1979.

The Board of Directors on March 12, 1980 approved two quarterly dividends on the class A shares as well as the regular quarterly dividend on the preferred shares payable April 1, 1980 and, consequently, dividends on the class A shares are now current.

Capital expenditures amounted to \$490,157 during the year and consisted of additions and replacements of production equipment in order to increase our capacity and improve efficiency by providing our plants with the most modern equipment available. Included in these purchases is a new computer for accounting purposes along with replacement of company vehicles and alterations to the Herold & Garbe plant improving the work flow to accommodate the changing requirements of our customers. Also included in the above total was the construction and equipping of a screening room with continuous interlock projection to provide customers with modern post production facilities for the screening of motion picture film materials.

The printing plate operations continued to provide a major portion of the Company's consolidated earnings. However, sales improved only marginally due to a strike of six months' duration in three of our customers' plants and, consequently, sales to these customers were negligible during the period of this labour dispute.

Rabko Television Production's sales increased substantially and earnings from operations were considerably improved over the fiscal year of 1978.

Medallion Film Laboratories participated in the increase of the motion picture production market in Canada and, consequently, experienced a substantial increase in sales which enabled this company to return to a profitable operation from the loss position of 1978. Feature films processed through the Medallion Laboratories include such well-known productions as "Running," "The Shape of Things to Come," "Klondike Fever" and "Middle Age Crazy."

Late in the year, the Filmpro operations were expanded to include the development of feature film projects and television series. Currently under consideration are several projects which management feel are very promising. Experienced personnel within our organization are devoting full time in these areas.

Plans are being formulated to re-locate Medallion Film Laboratories and expand its capacity in order to provide for continued growth in our participation in the feature film market.

The economy of the Country remains uncertain due to the constant threat of the to-date illusionary recession in the United States and its obvious impact on Canada, the threat of an increasing rate of inflation, higher interest rates and the probability of further unemployment aggravated by the

forecasted flat or limited growth in the gross national product.

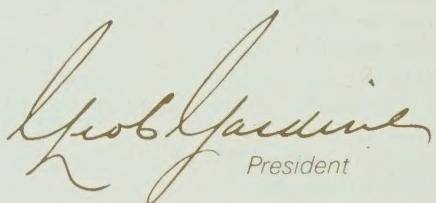
As a result of this economic climate, customers of our products are remaining flexible in the cycle of their commitments creating a very competitive market which is subject to extreme fluctuations.

Despite this unfavourable business climate, we are optimistic that with some stability as a result of a majority Federal Government and possible easement in the international scenes, confidence in our economy will be restored and our Company will be in a position to share in a period of accelerated growth for the Canadian business community.

The Company made application for and was issued with Articles of Continuance dated January 31, 1980 in order to comply with the provisions of the Canada Business Corporations Act. The Articles of Continuance do not make any amendments to the charter of the Company other than minor amendments required to conform with the provisions of the Act.

On behalf of the Board of Directors, we should like to record our appreciation of the loyalty and efficiency of our employees whose contribution is evident in the improved earnings of the Company and enabled us to continue to provide our customers with the highest standard of service and quality.

On behalf of the Board.



Leo Jardine  
President

March 19, 1980

## FIVE YEAR FINANCIAL SUMMARY

	1979	1978	1977	1976	1975
<b>CURRENT POSITION</b>					
Current assets .....	<b>\$ 4,967,024</b>	\$ 3,890,605	\$ 3,004,765	\$ 3,498,297	\$ 3,496,839
Current liabilities.....	<b>\$ 1,963,933</b>	\$ 1,863,069	\$ 1,372,393	\$ 2,327,376	\$ 2,024,778
Working capital .....	<b>\$ 3,003,091</b>	\$ 2,027,536	\$ 1,632,372	\$ 1,170,921	\$ 1,472,061
Current ratio .....	2.5	2.1	2.1	1.5	1.7
<b>PLANTS AND PROPERTIES</b>					
Investment in plants and properties .....	<b>\$ 7,488,280</b>	\$ 8,070,669	\$ 7,876,993	\$ 7,664,123	\$ 8,625,879
Accumulated depreciation .....	<b>\$ 4,974,503</b>	\$ 5,172,086	\$ 5,134,381	\$ 4,895,932	\$ 5,853,535
Provision for depreciation.....	<b>\$ 368,846</b>	\$ 283,379	\$ 298,800	\$ 270,604	\$ 269,186
Expenditures .....	<b>\$ 490,157</b>	\$ 459,332	\$ 280,827	\$ 354,059	\$ 392,600
<b>SHAREHOLDERS' EQUITY</b>					
Preferred stock.....	<b>\$ 244,300</b>	\$ 246,800	\$ 279,800	\$ 301,000	\$ 301,000
Class A and common stock .....	<b>\$ 565,313</b>	\$ 565,313	\$ 565,313	\$ 565,313	\$ 565,313
Retained earnings.....	<b>\$ 4,568,431</b>	\$ 4,061,794	\$ 3,552,916	\$ 3,313,837	\$ 3,301,987
Class A and common equity .....	<b>\$ 5,133,744</b>	\$ 4,627,107	\$ 4,118,229	\$ 3,879,150	\$ 3,867,300
Per share (before dividend arrears).....	<b>\$ 16.83</b>	\$ 15.17	\$ 13.50	\$ 12.72	\$ 12.68
<b>SALES</b> .....					
	<b>\$ 15,132,146</b>	\$ 12,958,472	\$ 12,647,820	\$ 12,882,593	\$ 12,691,906
<b>EARNINGS</b>					
Earnings (loss) from operations.....	<b>\$ 509,337</b>	\$ 449,132	\$ 155,242	\$ (56,148)	\$ (242,159)
Per class A share .....	<b>\$ 1.97</b>	\$ 1.77	\$ .80	\$ .11	\$ (.50)
Per common share .....	<b>\$ 1.37</b>	\$ 1.17	\$ .20	\$ (.49)	\$ (1.10)
Earnings (loss) for the year.....	<b>\$ 653,155</b>	\$ 622,053	\$ 369,360	\$ (18,052)	\$ (137,318)
Per preferred share—available .....	<b>\$ 267.55</b>	\$ 252.04	\$ 132.01	\$ (5.99)	\$ (45.62)
—distributed .....	<b>\$ 6.00</b>	\$ 6.00	\$ 16.50	\$ —	\$ 1.50
Per class A share .....	<b>\$ 2.44</b>	\$ 2.34	\$ 1.50	\$ .23	\$ (.16)
Per common share .....	<b>\$ 1.84</b>	\$ 1.74	\$ .90	\$ (.37)	\$ (.76)

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## Consolidated Balance Sh

(with prior year's

ASSETS	1979	1978
<b>CURRENT</b>		
Cash and term deposits .....	<b>\$1,387,674</b>	\$ 410,371
Accounts receivable .....	<b>2,980,169</b>	2,956,688
Marketable securities—at cost which approximates market value .....	<b>9,750</b>	9,750
Mortgage and note receivable—current portion .....	<b>33,101</b>	31,694
Inventories .....	<b>537,897</b>	444,291
Prepaid expenses .....	<b>18,433</b>	37,811
	<b>4,967,024</b>	3,890,605
<b>INVESTMENTS</b>		
Mortgages due through 1987 .....	<b>185,814</b>	143,915
Notes receivable due through 1981 .....	<b>25,000</b>	50,000
Cash surrender value of life insurance less loans .....	<b>59,829</b>	51,772
Other investments .....	<b>23,733</b>	35,901
	<b>294,376</b>	281,588
<b>FIXED</b>		
Plants and properties .....	<b>7,488,280</b>	8,070,669
Less accumulated depreciation .....	<b>4,974,503</b>	5,172,086
	<b>2,513,777</b>	2,898,583
	<b>\$7,775,177</b>	\$7,070,776

Approved by the Board:

Geo. C. Gardiner, *Director*J. G. Pozhke, *Director*

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at December 31, 1979

(in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	1979	1978
<b>CURRENT</b>		
Accounts payable and accrued . . . . .	<b>\$1,765,428</b>	\$1,725,227
Long-term debt—current portion (Note 2) . . . . .	<b>25,000</b>	25,000
Dividends payable . . . . .	<b>41,614</b>	41,652
Income taxes . . . . .	<b>131,891</b>	71,190
	<b>1,963,933</b>	1,863,069
<b>DEFERRED INCOME TAXES</b> . . . . .	<b>258,200</b>	133,800
<b>LONG-TERM DEBT (Note 2)</b> . . . . .	<b>175,000</b>	200,000
<b>SHAREHOLDERS' EQUITY (Notes 3 and 4)</b>		
Share capital		
Authorized		
10,000 6% cumulative redeemable preferred shares with a par value of \$100 each and callable at \$104		
200,000 60¢ cumulative participating class A shares and 200,000 common shares, both without nominal or par value		
Issued, outstanding and fully paid		
2,443 preferred shares (1978—2,468 shares) . . . . .	<b>244,300</b>	246,800
126,500 class A shares } . . . . .	<b>565,313</b>	565,313
178,500 common shares }	<b>809,613</b>	812,113
Retained earnings . . . . .	<b>4,568,431</b>	4,061,794
	<b>5,378,044</b>	4,873,907
	<b>\$7,775,177</b>	\$7,070,776

See notes to consolidated financial statements

# BOMAC BATTEN LIMITED

## Consolidated Statement of Retained Earnings for the year ended December 31, 1979 (with prior year's figures for comparison)

	1979	1978
Balance, beginning of year .....	<b>\$ 4,061,794</b>	\$ 3,552,916
Earnings for the year .....	<b>653,155</b>	622,053
Discount on purchase of preferred shares .....	<b>1,040</b>	16,120
	<b>4,715,989</b>	4,191,089
Dividends		
Preferred shares .....	<b>14,733</b>	15,445
Class A shares .....	<b>132,825</b>	113,850
	<b>147,558</b>	129,295
Balance, end of year .....	<b>\$ 4,568,431</b>	\$ 4,061,794

## Consolidated Statement of Earnings for the year ended December 31, 1979 (with prior year's figures for comparison)

	1979	1978
Sales .....	<b>\$ 15,132,146</b>	\$ 12,958,472
Earnings from operations before taking into account the following items (Note 5) .....	<b>\$ 1,045,962</b>	\$ 1,041,949
Deduct		
Depreciation .....	<b>368,846</b>	283,379
Interest including long-term debt interest \$17,117 (1978—\$18,742) .....	<b>31,126</b>	36,509
	<b>399,972</b>	319,888
	<b>645,990</b>	722,061
Add		
Investment and other income .....	<b>176,535</b>	37,471
Earnings from operations before income taxes .....	<b>822,525</b>	759,532
Income taxes .....	<b>313,188</b>	310,400
Earnings from operations .....	<b>509,337</b>	449,132
Income tax reductions resulting from prior years' losses .....	<b>46,300</b>	172,921
Life insurance proceeds .....	<b>50,328</b>	—
Gain on disposal of real estate less income taxes of \$29,600 .....	<b>47,190</b>	—
Earnings for the year (Note 6) .....	<b>\$ 653,155</b>	\$ 622,053

See notes to consolidated financial statements

*per share  
on final page*

**Consolidated Statement of Changes In Financial Position**  
 for the year ended December 31, 1979  
 (with prior year's figures for comparison)

	1979	1978
<b>SOURCE OF WORKING CAPITAL</b>		
Earnings from operations .....	\$ 509,337	\$ 449,132
Depreciation .....	368,846	283,379
Deferred income taxes .....	124,400	88,579
From operations .....	<b>1,002,583</b>	821,090
Income tax reductions resulting from prior years' losses .....	46,300	172,921
Life insurance proceeds .....	50,328	—
Disposal of real estate less income taxes of \$29,600 .....	517,587	—
	<b>1,616,798</b>	994,011
<b>APPLICATION OF WORKING CAPITAL</b>		
Increase in other plants and properties—net .....	454,437	439,350
Decrease in long-term debt .....	25,000	25,000
Increase (decrease) in investments .....	12,788	(11,678)
Dividends .....	147,558	129,295
Purchase of preferred shares .....	1,460	16,880
	<b>641,243</b>	598,847
Increase in working capital for the year .....	<b>975,555</b>	395,164
Working capital beginning of year .....	<b>2,027,536</b>	1,632,372
Working capital end of year .....	<b>\$3,003,091</b>	\$2,027,536

See notes to consolidated financial statements

**AUDITORS' REPORT**

To the Shareholders of

**BOMAC BATTEN LIMITED:**

We have examined the consolidated balance sheet of Bomac Batten Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
 March 7, 1980

DELOITTE, HASKINS & SELLS  
 Chartered Accountants

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1979

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation:

The financial statements consolidate the accounts of the Company and its subsidiaries Filmpro Limited, Rabko Television Productions Co. Limited, Medallion Film Laboratories Limited, Arco Advertisers Revisions Limited, Fairbairn Studio Limited and Bomac Graphics Limited, all of which are wholly-owned.

### Inventories:

Inventories consist of materials, supplies and work in process and are valued at the lower of cost and net realizable value.

### Investments:

Investments are carried at cost with the exception of shares in an associated company, which are accounted for on an equity basis.

### Plants and properties:

Plants and properties are stated at cost. Depreciation and amortization of these assets are based on their estimated useful lives using straight-line and declining-balance methods.

### Income taxes:

The Company accounts for income taxes using the tax allocation basis. The major timing difference which creates deferred income taxes is the result of differences between depreciation recorded and capital cost allowances claimed for income tax purposes.

### Earnings per share:

The Company calculates earnings per class A and common share, after giving effect to the cumulative preferred dividend entitlement, on the following basis:

- (a) An amount equal to the class A dividend entitlement for the period is allocated to the class A shares.
- (b) An amount equal to the dividend paid on the common shares, to a limit of the class A dividend entitlement for the period, is allocated to the common shares.
- (c) The remaining earnings (or the resultant deficiency in the event that the foregoing entitlements exceed the earnings for the period) are allocated on a share for share basis between the class A and common shares.

## 2. LONG-TERM DEBT

	1979	1978
6 1/2% mortgage payable in quarterly instalments of \$6,250 with balance due in 1981 .....	\$ 50,000	\$ 75,000
8 3/4% mortgage due in 1983 .....	150,000	150,000
	<hr/>	<hr/>
Less current portion .....	200,000	225,000
	25,000	25,000
	<hr/>	<hr/>
	\$175,000	\$200,000

## 3. PURCHASE OF PREFERRED SHARES

The Company has purchased 1,557 preferred shares for cancellation in accordance with the terms of issue including 25 shares purchased during the year. As the result of such purchases retained earnings in the amount of \$155,700 equivalent to the par value of the shares cancelled are not available for distribution.

## 4. DIVIDENDS

One quarterly dividend amounting to \$18,975 is in arrears on the class A shares.

## 5. PENSION PLANS

During the year the company paid \$200,000 on account of the actuarially determined past service liability for the initial members of two non-contributory pension plans which are in the process of being created. The \$200,000 has been charged to operations.

## 6. EARNINGS PER SHARE

Earnings per class A share .....

Earnings per common share .....

	Earnings From Operations		Earnings For the Year	
	1979	1978	1979	1978
Earnings per class A share .....	\$1.97	\$1.77	\$2.44	\$2.34
Earnings per common share .....	\$1.37	\$1.17	\$1.84	\$1.74

**ANNUAL MEETING**

*The Annual Meeting of Shareholders will be  
held at 10:30 a.m., Thursday, May 15, 1980,  
in the Varley Room of the Hotel Toronto  
145 Richmond Street West, Toronto, Ontario*

**BOMAC  
BATTEN**

LIMITED